

Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 AGR-05 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 H-01 L-02 PA-01 PRS-01 USIA-06 FEA-01 /085 R

DRAFTED BY ARA/ECP - SFOUTS

APPROVED BY EB/OT/GCP - DDUNFORD

ARA/EP - WCLARK

ARA/ECP - MDAVILA

EB/OT/GCP - MGOLDMAN

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FM SECSTATE WASHDC

TO AMEMBASSY QUITO

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E.O. 11652: N/A

TAGS: ETRD, EAGR, EC

SUBJECT: NEW US TRADE LEGISLATION

REF: QUITO 122

1. ECONOMIC IMPACT OF ECUADOR'S LIKELY EXCLUSION FROM
US GSP DUE TO OPEC MEMBERSHIP WOULD APPEAR TO BE MINIMAL
BASED ON CURRENT EXPORTS TO US.

2. IN 1973, ECUADOREAN EXPORTS TO US TOTALED 162.5
MILLION DOLLARS, OF WHICH 120.5 MILLION DOLLARS, OR
70 PERCENT, ENTERED DUTY FREE. WITH REPLACEMENT OF TARIFF
ON PETROLEUM IN 1973 BY IMPORT FEE DEPT.OF COMMERCE
STATISTICS SHOW THAT 93 PERCENT OF US IMPORTS FROM
ECUADOR BY VALUE ENTERED DUTY-FREE DURING JANUARY -
OCTOBER 1974 PERIOD. (IN ANY CASE, PETROLEUM PRODUCTS
WOULD NOT BE ELIGIBLE FOR GSP BENEFITS.)

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3. USG IS CURRENTLY IN PROCESS OF FORMULATING LIST OF PRODUCTS WHICH WILL BE CONSIDERED FOR GSP TREATMENT BY INTERNATIONAL TRADE COMMISSION (FORMERLY TARIFF COMMISSION) WITH FINAL DETERMINATION TO BE MADE BY PRESIDENT. LIST IS NOT YET PUBLIC, AND THUS WE ARE UNABLE TO PROVIDE EMBASSY WITH SPECIFIC BREAKDOWN OF PROPOSED GSP PRODUCT COVERAGE AT THIS TIME. IF GOE WERE DESIGNATED AS GSP BENEFICIARY, THE VALUE OF GSP TARIFF REDUCTIONS ON EXPORTS TO US OF ECUADOREAN GOODS LIKELY TO BE

ELIGIBLE FOR GSP WOULD BE APPROXIMATELY 150,000 DOLLARS, BASED ON INFORMAL DEPT ANALYSIS UTILIZING 1973 TRADE DATA. THIS IS EQUAL TO LESS THAN 1/10 OF 1 PERCENT OF TOTAL ECUADOREAN TRADE WITH US.

4. WHILE WE DO NOT OBJECT TO YOU MAKING ABOVE POINTS INFORMALLY WITH GOE, YOU SHOULD NOT STRESS THEM. GSP IS DESIGNED TO STIMULATE INDUSTRIAL DIVERSIFICATION AND THUS EXPORTS IN NEW AREAS. AN EXAMINATION OF ACTUAL TRADE DOES NOT TAKE THIS DYNAMIC EFFECT INTO ACCOUNT. KISSINGER

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